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OCM-74-542

19 SEP 1974

MEMORANDUM FOR: Chief, Operations, OC

SUBJECT : Methodology Study for Attributing
Costs of OC Services

1. The attached guideline for developing a methodology to attribute the cost of OC services to Agency offices and divisions was prepared by OC-P&B at my request.

2. Please forward this guideline to your committee on developing the OC costing system. After it has been read by the committee members, we will hold a briefing for them and then have the committee proceed with their work. The DD/A has asked that we submit our methodology to him by 30 November 1974. The DCI's deadline for this phase of the cost attributing effort is 31 December 1974. Presumably there will be feedback shortly thereafter.



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Attachment:

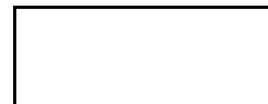
Guideline for Methodology

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GUIDELINE FOR PROCEDURES TO DEVELOP A
METHODOLOGY FOR ATTRIBUTING OC SERVICES USAGE

1. A method of attributing usage rates to our customers should be developed for each service provided by OC.

2. Facility of development of the methodology is considered more desirable than establishing a costly accounting system. Use gross figures for all attributions.

3. A very general and arbitrary Communications Services Infrastructure (CSI) will be developed. The CSI will not be charged to the customers at this stage. It may be necessary to do so at a later date. For the present the CSI will be considered an overall Agency or OC cost. The CSI, for the present, will total about [] positions, including all OC Headquarters positions except those in [] all overseas Area Headquarters positions; and all base station positions; finally, the CSI will include all system modernization programs such as SKYLINK, relay modernization, facilities and Cable Dissemination System. The balance of the [] (FY-1975) budget will be attributed to the customers. This balance represents the on-going operating costs of the various OC provided services.

4. The CSI approximates [] of the total FY-1975 OC budget.

5. The remaining [] will be further reduced by [] representing our estimated cost of [] positions needed to handle the [] traffic. The result leaves [] for attribution to CIA components. The attribution will be at the CIA offices and (DD/O) divisions level. There are [] such components.

6. Of the [] to be attributed to CIA components, the split by service provided would be:

<u>Service</u>	<u>\$ In Thousands</u>
a. Telephones	[]
b. DATA	[]

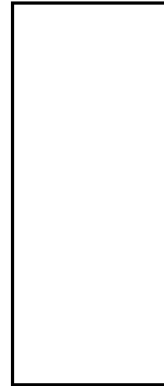
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- c. Secure Voice
- d. Dissemination (Less CDS/APARS)
- e. Covert Communications
- f. New or Expanded Service
- g. Message Network

TOTAL



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7. The OC Cost Study Committee should use the figures in paragraphs 4, 5, and 6 as a broad guideline. OC-P&B will assist the committee in refinements as needed. The committee's next step will involve developing the methodology for attributing the cost of each service to the [] CIA components. The following approaches are proposed for study:

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a. Telephones - [] provide data on number of instruments/lines in each component. Convert these to percentages of the total in the Agency. Use these factors as percentages of [] to attribute costs to each component.

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b. DATA - [] determine percent of total DATA service used by each office. This percentage could be based on the number of DATA records, number of circuits, a two day sampling of workload, or any uncomplex combination of these approaches.

c. Secure Voice - Same approach as used for black telephones.

d. Dissemination - We could use last year's figures for determining distribution of positions as a charge to Headquarters's components (ADD's committee study). Or, we could take a two days sampling of the Cable Secretariat workload; or finally, we could use any recent workload study in the Cable Sec, if one exists. Probably, the first approach might be the easiest.

e. Covert Communications - Distribute the [] on the basis of the DD/O division requirements which were submitted to OC-O earlier this year. Each division's requirements as a percentage of the total requirements would be applied

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to the [] for cost attribution purposes.

f. Special Charges for New/Expanded Services - These are direct charges. See OC-P&B for costs.

g. Message Network - This could be made into the most complex system conceivable, but we prefer to cut through these complexities. It is proposed to attribute costs of the Message Network on the basis of the ADD'ers study distribution of position charges to Agency components. The committee should note that, although all we must do at this time is develop a methodology, eventually considerable additional work is required in this item because the original break-out lumped several smaller offices together. Some method of subdividing these "lumped" areas must be developed.

8. It is essential that we do not get bogged down in detail. In the final analysis, we will end up with one form or another of random sampling for attributing costs. Random sampling will be surprisingly close to a detailed costing system, especially in the Message Network package, which is so large.

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